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25X1

25X1

28 July 1973

# Central Intelligence Bulletin

## CONTENTS

25X1

JAPAN-VIETNAM: Tokyo may extend emergency humanitarian aid to Saigon. (Page 3)

GREECE: In address on eve of plebiscite Papadopoulos warns he will deal harshly with dissenters. (Page 4)

EGYPT: Sadat condemns US veto at UN in harsh terms. (Page 6)

CUBA: Unrelenting hostility toward US again main theme of Castro speech. (Page 7)

USSR-CUBA: Soviets sending another small naval group to Cuba. (Page 8)

UK: London moves to relieve pressures on pound. (Page 9)

AUSTRALIA: Canberra expects sharp increase in wheat production in coming year. (Page 10)

COLOMBIA: Expropriation of US mining firm planned. (Page 11)

FOR THE RECORD: (Page 12)

25X1

Approved For Release 2004/07/08 : CIA-RDP79T00975A024900120001-2

Next 1 Page(s) In Document Exempt

Approved For Release 2004/07/08 : CIA-RDP79T00975A024900120001-2

JAPAN-VIETNAM: Tokyo will probably soon extend emergency humanitarian aid to South Vietnam on a bilateral basis. A combination of grants and loans totaling some \$50 million will likely be provided in response to Saigon's request for aid for refugee relief and rehabilitation. However, no dispersal will be made until after 28 September, when the extended Diet session ends and the Tanaka administration will not have to ask for approval. Earlier this year, Tokyo granted Saigon nearly \$2 million for refugee relief.

Despite South Vietnam's difficult balance-of-payments situation, Tokyo is not willing to provide direct assistance in the form of foreign exchange grants. Japan is, however, willing to provide balance-of-payments assistance in a multi-lateral context, as it is doing in Laos and Cambodia. Tokyo indicated it may consider a commodity import loan to South Vietnam, which could help ease Saigon's balance of payments by financing imports and generating local currency for refugee programs. Such a loan would probably not provide much relief before next year.

Over the longer term, large-scale Japanese aid for South Vietnam's reconstruction and economic development will be provided through multi-lateral channels. Tokyo is awaiting the establishment of a consultative group for South Vietnam, composed of all prospective donors, which is likely to be operational by early 1974.

Except for limited humanitarian aid, Japan's economic assistance to North Vietnam remains contingent on the establishment of diplomatic ties between Tokyo and Hanoi. Negotiations to normalize relations began in Paris on 25 July, and prior to the opening of talks the North Vietnamese chargé spoke of concluding negotiations in about two weeks.

GREECE: George Papadopoulos addressed a resentful, but probably resigned, Greek electorate yesterday, capping a heavy-handed campaign intended to assure ratification of a new republic with himself at its head.

Papadopoulos, increasingly estranged from his fellow officers in recent days, warned that he would deal harshly with divisions in the country. He promised that, if elected president of the new republic through a "yes" vote in tomorrow's plebiscite, he would:

- allow the formation of political parties,
- lift martial law and restore full individual freedoms,
- refrain from engaging in partisan politics as president, and
- implement the entire constitution and all laws of the country.

Papadopoulos promised, however, that the revolution--presumably his government--would continue even in the unlikely event that the republic were voted down.

Meanwhile, reports of unrest in the military continue. The US Defense Attaché in Athens characterizes the mood of the military as tense. [REDACTED]

25X1

[REDACTED] recently warned Papadopoulos that many right-wing army officers are apprehensive about the course he has embarked upon. At heart, these officers are worried that Papadopoulos as president will usurp their own personal power, although their warning to Papadopoulos was that the displacement of the military regime by a republic would weaken the nation and disrupt its alliances.

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28 Jul 73

Central Intelligence Bulletin

4

( The plebiscite could provide the issue Papadopoulos' military critics have been waiting for to move against him. They have been signaling their disaffection with increasing urgency, but they may have waited too long. The junta leader appears confident that they will not risk splitting the armed forces in a last-minute effort to block this step to supreme power.

25X1

28 Jul 73

*Central Intelligence Bulletin*

5

EGYPT: President Sadat has condemned the US veto at the UN in terms so harsh as to suggest that he holds no hope for early progress toward negotiations.

In a speech at Alexandria University, Sadat charged that the US action proves conclusively that Washington has joined Tel Aviv in a campaign to force Egypt to sue abjectly for peace. Expounding on a theme he used often earlier this year, Sadat said that the US-Israeli tactics are designed to make Egypt "explode from within."

Sadat spoke in measured tones, saying that Egypt must not react "nervously or emotionally." Referring, as he has on several occasions in the past two weeks, to the need for a reassessment of Egypt's policies in the light of US-Soviet detente, Sadat said that the Egyptians must prepare themselves for a struggle that could last generations. Sadat admitted implicitly that detente has necessitated a halt to Egyptian war plans and that Egypt is not prepared to use the US veto as the occasion to begin military action.

He views the veto, however, as a block to diplomatic progress. Sadat did not suggest that the veto will impede UN Secretary General Waldheim's visit to the Middle East, but he did say that Egypt's own diplomatic campaign, begun early this year with Hafiz Ismail's visits to the US and Western Europe, had ended with the veto. Sadat's speech implied that at this point no acceptable diplomatic path is open to Egypt. [REDACTED]



CUBA: Unrelenting hostility toward the US was once again a main theme of Fidel Castro's anniversary speech on 26 July.

By casting the US and Cuba as adversaries, he underscored his rejection of detente and confirmed his espousal of confrontation as the best means of capitalizing on what he sees as an anti-US trend in Latin America. His call for the replacement of the OAS by a new regional body minus the US was a reiteration of his long-standing determination not to associate with that organization under any circumstances.

While he declined to follow Moscow's policy of detente, Castro had warm praise for Soviet economic and military assistance and defended the USSR against "certain leaders...of the third world" who speak of "two imperialisms." He characterized those who draw parallels between the USSR and the US as servants of the "real imperialism." Castro probably made these statements with an eye on the conference of so-called non-aligned countries, scheduled for Algeria in September. He may attend the conference, and if he does, he will attempt to orient the proceedings against the US. [REDACTED]

**Kresta II Class**

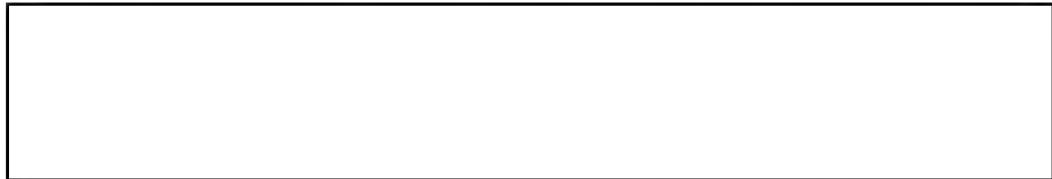


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25X1

USSR-CUBA: The Soviets are sending another small naval group to Cuba, the tenth such visit since 1969.

The ships--a Kresta-II class guided-missile cruiser and Kanin-class destroyer--are being accompanied by a tanker. They are expected to arrive in the Caribbean on 29 July--Soviet Navy Day. The group was about 300 miles southeast of Bermuda on 27 July. One or more submarines could also be en route to Cuba.



25X1

UK: London has moved to relieve the pressure on the pound. Sterling has fallen sharply in recent weeks, pushing the pound 19 percent lower on a trade-weighted basis than in December 1971. In an attempt to reverse the trend, the Bank of England made heavy purchases of sterling on Friday and announced that its minimum lending rate was being raised from 9 to 11.5 percent. Following these actions, sterling closed 1 percent higher.

While the minimum lending rate was increased primarily to shore up the pound, the move should help prevent overheating of the domestic economy later this year. Recent projections show the Gross National Product rising at an annual rate of 6 percent through the rest of 1973--higher than in recent years. Signs of strain on industrial capacity are already appearing. This increase in the cost of credit will tend to slow expansion and ease pressure on capacity.

AUSTRALIA: Canberra expects a sharp increase in wheat production during the coming crop year. Based on surveys of the acreage planted in June, the harvest, which begins in December, is expected to yield 11-12 million metric tons compared with only 6.4 million tons from the last crop which was hit by drought. The world's third largest wheat exporter, Australia is projecting exports in 1974 at almost double the 1973 level. Commitments of 730,000 tons from the new crop already have been made to Japan, and the Australian Wheat Board has reportedly offered 1 million tons to the Chinese trade delegation recently in Canberra.

25X1

28 Jul 73

*Central Intelligence Bulletin*

10

COLOMBIA: President Pastrana has announced he would seek legislation to expropriate, without compensation, the US-owned International Mining Corporation holdings in Colombia. As justification for this move, he cited the corporation's refusal of the government's proposal last March that the company relinquish 51-percent interest in its operating gold mines in exchange for a 49-percent share in a new joint venture.

While properties controlled by the corporation account for about 70 percent of Colombia's gold output, their production has been declining for the past decade because exploitable reserves in several concession areas are nearly exhausted. The corporation management is apparently divided in its views on the seriousness of the latest threat, some regarding it as simply another Colombian ploy. The government, however, may find it politically impossible in this pre-election period to back down from Pastrana's pronouncement.

25X1

28 Jul 73

*Central Intelligence Bulletin*

11

## FOR THE RECORD\*

EC-US: Following a visit to Washington last week to discuss US soybean controls, EC Commissioner Lardinois has suggested a weekly exchange of information between the EC and the US on the shortages of grains and protein sources, particularly oilseeds. Lardinois also favors a conference, at which the US, the EC, Japan, Australia, and Canada would discuss the grain and oilseed outlook in broader terms. [REDACTED]

25X1

Australia-China: The two countries have signed a three-year general trade agreement, which seeks to encourage exchanges of commodities and technology. The negotiators failed to agree on long-term financing of agricultural exports. China is primarily interested in Australia's agricultural and mineral commodities; Australia looks to China mainly for textiles. [REDACTED]

25X1

International Monetary Developments: The dollar yesterday gained back some of the losses suffered earlier in the week. This was in part because of reports of continuing improvement in the US trade position. The dollar was also helped by the easing of credit conditions in West Germany and the reduced demand for the mark. Nevertheless, the joint float remained under pressure and substantial intervention was needed to sustain it. [REDACTED]

25X1

South Vietnam: Saigon will soon announce that it is breaking relations with Senegal because Dakar recognized the Viet Cong's Provisional Revolutionary Government. Saigon is willing to continue relations with countries that recognize Hanoi, but it remains unwilling to maintain ties with those that support the thesis that there are two governments in the South. [REDACTED]

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*\*These items were prepared by CIA without consultation with the Departments of State and Defense.*

28 Jul 73

Central Intelligence Bulletin

12

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